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December 14, 2005

BY OVERNIGHT DELIVERY AND E-FILE

Mary L. Cottrell, Secretary
Department of Telecommunications and Energy
One South Station
Boston, MA 02110

Re: Bay State Gas Company, D.T.E. 05-27

Dear Ms. Cottrell:

On December 12, 2005, Bay State Gas Company ("Bay State") filed its Interim Compliance Filing in the above referenced docket. The Interim Compliance Filing included, among other required schedules, Bay State's Compliance Marginal Cost of Service Study (Tab F), which incorporated the directives from the Department's November 30, 2005 Order. After review and discussions with Staff, Bay State has determined that text found on lines 31 and 42 of Schedule JLH-3-2, Page 1 of 5, required to be corrected. Bay State has made the appropriate corrections and has enclosed herewith for filing, a revised version of Tab F's Schedule JLH-3-2, Page 1 of 5. Please discard the version of the page that was filed on December 12th and replace it with this revised page.

I apologize for any inconvenience this may have caused. Please do not hesitate to telephone me with any questions whatsoever.

Very truly yours,

Patricia M. French

cc: Per Ground Rules Memorandum issued June 13, 2005:

Paul E. Osborne, Assistant Director – Rates and Rev. Requirements Div. (1 copy)
A. John Sullivan, Rates and Rev. Requirements Div. (4 copies)
Andreas Thanos, Assistant Director, Gas Division (1 copy)
Alexander Cochis, Assistant Attorney General (4 copies)
Service List (1 electronic copy)

Schedule JLH-3-2
BAY STATE GAS COMPANY
GAS MARGINAL COST STUDY

Summary of Estimates for Distribution Capacity Cost

Line No.	Description	Quantity
	(1)	(2)
1		
2	HISTORICAL INVESTMENTS {1}	
3	CAPACITY INCREMENT - 1976 to 2004	
4	2004 Design Day Sendout	551,630
5	1976 Design Day Sendout	226,225
6	Increase in Design Day Sendout (5)-(4)	325,406
7		
8	PLANT INVESTMENTS	
9	Investments to Increase Capacity, Current \$'s	
10	Total Investment 1976 2004	149,025,071
11		
12	UNIT COST	
13	Avg Unit Cost for Historical Investments (10)/(6)	\$457.97
14		
15		
16	PROSPECTIVE ADDITIONS	
17	REINFORCEMENT (From Stoner Model Analysis) {2}	
18	Estimate of upgrades to existing facilities.	\$38,510,264
19	Estimated Additional Load, DT/Design Day	193,203
20	Average Cost for Upgrades (19)/20	\$199.33
21	Trended Cost for Upgrades {2}	\$199.33
22		
23	NEW MAIN EXTENSIONS	
24	Unit Cost for New Main Extensions {3}	\$256.33
25		
26	UNIT COSTS	
27	Unit Costs for Prospective Additions (22)+(25)	\$455.66
28		
29		
30		
31	Slope of Multi- Regression Line	\$475.26
32	Unit Costs based on Econometric Analysis {4}	
33		
34		
35		
36		
37		
38		
39		
40		
41	For purposes of further study, assume long run marginal	
42	costs will be estimated by the slope of the multi-regression line (31) {5}	\$475.26 per Dt

NOTES:

- 1 Source: Cost data from Schedule JLH-3- 2, Page 2.
- 2 Source: Schedule JLH-3- 2, Page 3.
- 3 Source: Schedule JLH-3- 2, Page 4.
- 4 Source: Schedule JLH-3- 2, Page 5.
- 5 Regression employed in accordance with DTE Order 05-27 at 321.